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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934.

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For Quarter Ended: January 31, 1992.

Commission File No.: 0-18935

BIG SKY USA, INCORPORATED
(Exact name of registrant as specified in its charter.)

Washington	81-0440517
(State or other jurisdiction of incorporation or organization.)	(I.R.S. Employer Identification No.)

4020 South 56th St. Tacoma, Washington 98409
(Address of principal executive offices.) (Zip Code.)

Registrant's telephone number, including area code: (206) 471-9900

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No__.

9,212,175 Shares of Common Stock Outstanding as of March 5, 1992
Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

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PART I

ITEM 1. FINANCIAL STATEMENTS.

Beginning on Page 4 are the balance sheets of the Registrant as of January 31, 1992 and July 31, 1991, and the related statements of income and cash flows for the six months ended January 31, 1992 and 1991 compiled by management of the Registrant.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Results of Operations: Revenues, net of intercompany sales, for the three and six months ended January 31, 1992 increased to $1,130,696 and $2,144,611 respectively, from $975,982 and $2,119,104 for the same periods of fiscal 1991. Nevertheless, consolidated gross profit declined to $81,466 and $127,939 for the quarter and first six months of 1992 from profits of $184,614 and $217,351 for corresponding 1991 periods. Net losses for the quarter increased in 1992 to $300,998 versus $106,122 in 1991, and to $663,556 from $388,921 in the first half of 1992 and 1991 respectively. Losses related to the Company's contract manufacturing operation totalled $131,504 for second quarter 1992 and $283,472 for the six month period ending January 31, 1992. These losses were in contrast to net earnings of $595 and $30,829 reported by the operation over the same time periods last year.

Private label sales of the Company's shrinkfree 100% cotton fleece garments to catalog merchants exceeded all previous records, contributing $337,390 during the three months and $659,226 for the six months ended January 31, 1992. Gross margins achieved by these sales of private label products during the first six months of 1992 closely approximated projected goals.

Revenue increases achieved by sales of private label products were offset by reductions in contract manufacturing revenues throughout the first six months of the year. Losses in the contract manufacturing operation were the result of volume pricing concessions made to attract additional contract work. Such concessions were considered necessary measures to enable the Company to operate at a higher percentage of capacity, thereby increasing its operator and revenue bases. However, when certain customers delayed their transmittal of raw materials for higher margin contract products, an unprofitable mix of contract sewing contracts resulted.

The Registrant's efforts at rebuilding its sewing operator base during the first six months of 1992 successfully increased employment from 120 at fiscal year end 1991 to a total of 167 operators by December 14, 1991. Prior to the end of the second quarter, however, delayed receipts of raw materials from contract manufacturing customers negatively impacted the Company's scheduling efficiences. As a result, by January 31, 1992 the Company was forced to cut back its active base of sewing operators to 142. Subsequent to second quarter an additional 40 operators have been placed on temporary layoff. The Company expects to call these employees back to work during the third quarter of 1992.

Selling, general and administrative expenses comprised 33.2% of sales for the second quarter and 36.3% for the first half of 1992, up from 30.1% and 28.9% in the respective 1991 periods. Product development and marketing expenditures totalling $74,088 for the fiscal second quarter and $171,095 for the six months ended January 31, 1992 were related to the introduction of the Registrant's Amicus™ and Patricia K™ product lines. Product development and marketing expenditures for the previous year's second quarter and six month period, in contrast, totalled $1,344 and $8,249. Sales commissions increased to $17,059 in second quarter 1992 from $321 in 1991, and to $33,151 for the first six months

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS. (Continued)

of the fiscal year 1992 from $3,630 in the 1991 similar period as a result of the increased private label sales of garments made of the Company's cotton fabric.

Improvements in consulting and professional expenses were achieved over the corresponding periods of last year. Expenditures totalling $93,164 in second quarter 1991 were reduced to $74,157 in the same quarter 1992. Over the first six months of the fiscal year 1992, an overall savings of 27% was achieved with fiscal 1991 expenditures of $226,647 reduced to $166,242 in the current year. Salaries and wages reported in 1992 totalled $119,347 for the second quarter and $234,514 for the first six months of the year, as opposed to $91,814 and $178,493 in the similar periods of the previous year.

Liquidity and Capital Resources: Working capital of the Registrant as of January 31, 1992 was $326,134, as compared to $351,122 at fiscal year end. The Registrant utilizes its revolving commercial line of credit with The Hongkong and Shanghai Banking Corporation Limited obtained on August 30, 1991 to expedite and maximize its short term cash flow. The balance utilized of the $375,000 revolving line at January 31, 1991 totalled $275,105. During second quarter 1992, the Company also received net proceeds of $305,378 representing subscriptions for 533,854 shares of the Company's restricted common stock at $.65 per share. Subsequent to the end of the quarter, subscription agreements for an additional 321,163 shares of the Company's restricted common stock at the same rate per share were received, raising net proceeds of $193,460 and enabling the Registrant to close the private offering in February.

It is thus believed that adequate resources exist to allow the Registrant to fulfill its current firm commitments to customers. The Company, however, is presently actively seeking additional equity capital from private sources to ensure its ability to continue its current level of operations, without interruption, throughout the ensuing year.

BIG SKY USA, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	January 31 1992	July 31 1991
ASSETS		
Current assets		
Cash on hand and in bank	$81,916	$158,057
Accounts receivable less allowance for doubtful accounts of $10,697 at January 1992 and $15,109 at July 1991	411,014	276,648
Accounts receivable – other	11,162	9,996
Inventories	644,171	647,976
Prepaid expenses	68,429	72,005
	1,216,692	1,164,682
Property, plant and equipment		
Equipment	632,027	639,954
Leasehold improvements	6,757	4,638
	638,784	644,592
Less accumulated depreciation	201,915	147,000
	436,869	497,592
Other assets		
Organization costs net of amortization of $9,535 at January 1992 and $7,811 at July 1991	7,705	9,429
Deposits	14,667	14,567
Purchased cotton technology net of amortization of $15,000 at January 1992 and $7,500 at July 1991	285,000	292,500
	307,372	316,496
Total assets	$1,960,933	$1,978,770
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Note payable – City of Great Falls	$50,000	$50,000
Note payable – Hongkong Bank	275,105	-
Convertible promissory note payable	40,000	40,000
Accounts payable	209,295	284,699
Accrued expenses	316,158	436,008
Income taxes payable of subsidiary	-	2,853
	890,558	813,560
Shareholders' equity		
Common stock (January 1992: Par value: no par; Authorized: 50,000,000; Issued & outstanding: 8,867,834 / July 1991: Par value: $0.05; Authorized: 10,000,000; Issued & outstanding: 7,925,693)	4,359,513	396,285
Additional paid-in capital	-	3,394,507
Accumulated deficit	(3,289,138)	(2,625,582)
	1,070,375	1,165,210
Total liabilities and shareholders' equity	$1,960,933	$1,978,770

BIG SKY USA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three months ended January 31,		Six months ended January 31,	
	1992	1991	1992	1991
Net sales	$1,130,696	$975,982	$2,144,611	$2,119,104
Cost of sales	1,049,230	791,368	2,016,672	1,901,753
Gross profit (loss)	81,466	184,614	127,939	217,351
Selling, general and administrative expenses	374,877	294,097	779,499	613,133
Loss from operations	(293,411)	(109,483)	(651,560)	(395,782)
Other income (expense)				
Interest expense	(7,590)	(4,303)	(12,002)	(16,312)
Interest and other income	3	7,664	6	23,173
Total other income (expense)	(7,587)	3,361	(11,996)	6,861
Loss before income taxes	(300,998)	(106,122)	(663,556)	(388,921)
Income taxes	-	-	-	-
Net loss	($300,998)	($106,122)	($663,556)	($388,921)
Net loss per share	($0.04)	($0.02)	($0.08)	($0.07)
Weighted average number of shares outstanding	8,445,440	6,562,997	8,286,432	5,281,174

BIG SKY USA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six months ended January 31,	
	1992	1991
Cash flows from operating activities		
Net loss	($663,556)	($388,921)
Adjustments to reconcile net loss to net cash used by operating activities		
Common stock issued for consulting and other expenses	94,094	103,252
Depreciation and amortization	64,129	59,023
Changes in:		
Accounts receivable	(134,366)	(132,554)
Accounts receivable - other	(1,166)	2,031
Inventories	3,805	(83,357)
Prepaid expenses	3,576	(3,468)
Accounts payable	(75,404)	(87,945)
Accrued expenses	(122,703)	93,667
Net cash used by operating activities	(831,581)	(438,272)
Cash flows provided by (used by) investing activities		
Purchases of property, plant and equipment	(5,073)	(26,467)
Other	10,781	(10,026)
Net cash provided by (used by) investing activities	5,708	(36,493)
Cash flows from financing activities		
Retirement of short-term debt	(1,599,435)	(520,000)
Proceeds from short-term debt incurred	1,874,540	510,000
Net proceeds from issuance of common stock	474,627	523,742
Net cash provided by financing activities	749,732	513,742
Net increase (decrease) in cash and cash equivalents	(76,141)	38,977
Beginning cash and cash equivalents	158,057	226,331
Ending cash and cash equivalents	$81,916	$265,308

BIG SKY USA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six months ended January 31,	
	1992	1991
Cash flows from operating activities		
Net loss	($663,556)	($388,921)
Adjustments to reconcile net loss to net cash used by operating activities		
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Depreciation and amortization	64,129	59,023
Changes in:		
Accounts receivable	(134,366)	(132,554)
Accounts receivable – other	(1,166)	2,031
Inventories	3,805	(83,357)
Prepaid expenses	3,576	(3,468)
Accounts payable	(75,404)	(87,945)
Accrued expenses	(122,703)	93,667
Net cash used by operating activities	(831,581)	(438,272)
Cash flows provided by (used by) investing activities		
Purchases of property, plant and equipment	(5,073)	(26,467)
Other	10,781	(10,026)
Net cash provided by (used by) investing activities	5,708	(36,493)
Cash flows from financing activities		
Retirement of short-term debt	(1,599,435)	(520,000)
Proceeds from short-term debt incurred	1,874,540	510,000
Net proceeds from issuance of common stock	474,627	523,742
Net cash provided by financing activities	749,732	513,742
Net increase (decrease) in cash and cash equivalents	(76,141)	38,977
Beginning cash and cash equivalents	158,057	226,331
Ending cash and cash equivalents	$81,916	$265,308

BIG SKY USA, INC. AND SUBSIDIARIES
SELECTED INFORMATION - SUBSTANTIALLY ALL DISCLOSURES REQUIRED BY GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ARE NOT INCLUDED
January 31, 1992

Note 1 - Financial Statements

The unaudited financial statements of Big Sky USA, Inc. and Subsidiaries for the six month periods ended January 31, 1992 and 1991 reflect, in the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to fairly state the results of operations for the interim periods.

Note 2 - Inventories

Inventories consist of the following:

	January 31 1992	July 31 1991
Raw Material	$280,280	$283,277
Work in Process	338,255	354,006
Finished Goods	25,636	10,693
	$644,171	$647,976

Note 3 - Short Term Debt

During the Quarter ended October 31, 1991, the Registrant acquired a revolving commercial line of credit totalling $375,000 with The Hongkong and Shanghai Banking Corporation Limited. At January 31, 1992 the revolving note outstanding totalled $275,105.

At January 31, 1992 one promissory note totalling $40,000 was outstanding and is due on January 31, 1993.

Note 4 - Other Income

Big Sky USA, Inc.'s Subsidiary purchased work in process on June 4, 1990 from Green River Sportswear, Inc. Net income resulting from the sale of a portion of said purchased work in process during the six months ending January 31, 1991 was reported as Other Income totalling $12,125.

PART II

ITEM 1. LEGAL PROCEEDINGS.

Not applicable

ITEM 2. CHANGES IN SECURITIES.

Not applicable

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

Not applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

The Annual Meeting of Shareholders of Big Sky USA, Incorporated was held on December 12, 1991. In addition to the election of directors and auditors, the shareholders voted on two other proposals. First, to ratify the Company's 1991 Stock Option Plan and the reservation of 1,000,000 shares of the Company's common stock for issuance thereunder. Of the shares voted, 6,291,018 were in favor, 274,733 were against and 26,759 abstained. Second, to approve the merger of the Company with and into its wholly-owned Washington subsidiary to change the Company's domicile from Montana to Washington. Of the shares voted, 6,516,176 were in favor, 68,175 were against and 8,159 abstained.

ITEM 5. OTHER INFORMATION.

Not applicable

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(b) The Company filed the following reports on Form 8-K during the quarter ended January 31, 1992:

(i) Report on Form 8-K dated November 4, 1991 in respect of the following items:

Item 4: Changes in Registrant's Certifying Accountant

(a) Dismissal of Junkermeier, Clark, Campanella, Stevens, P.C. as the Company's independent auditors.

(b) The engagement of Price Waterhouse as the Company's independent accountants.

(ii) Report on Form 8-K dated December 20, 1991 in respect of the following item:

Item 5: Other Events

The merger of the Company by and into its wholly-owned subsidiary for the purpose of changing the corporate domicile from Montana to Washington State.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BIG SKY USA, INCORPORATED
Registrant

Lois T. Birt, Chief Financial Officer

March 13, 1992
Date